

Message Text

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C O N F I D E N T I A L STATE 095664

LIMDIS

E.O. 11652: GDS

TAGS: EEWT, EPAP, CH, US

SUBJECT: EA/PRCM WEEKLY STATUS REPORT

1. DAEDALUS CASE (CONFIDENTIAL)

THE CIRCUMSTANCES OF THE DAEDALUS CASE ARE CONTINUALLY CHANGING, BUT THE CURRENT STATUS IS AS FOLLOWS: THE CHINESE TECHNICIANS HAVE BEEN IN ANN ARBOR WITH DAEDALUS SINCE APRIL 11 UNDERGOING INTRODUCTORY TRAINING. A MULTI-AGENCY TECHNICAL GROUP HAS BEEN WORKING THIS WEEK ON PARAMETERS FOR A DOWNGRADED VERSION OF THE DAEDALUS EQUIPMENT AND THE DEPARTMENT OF COMMERCE HAS INFORMED DAEDALUS OF THE SUGGESTED TECHNICAL CHANGES. DAEDALUS INTENDS TO FIELD TEST THE REVISED SYSTEM THIS WEEKEND TO DETERMINE
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WHETHER IT IS ACCEPTABLE.

2. CHINA BUYS US WHEAT (LIMITED OFFICIAL USE)

A US FIRM HAS SOLD 600,000 METRIC TONS OF WHEAT WORTH ABOUT \$80 MILLION TO THE PRC. THIS IS THE FIRST US WHEAT SALE TO THE PRC SINCE 1974. DELIVERY IS SCHEDULED FOR

JUNE-SEPTEMBER 1978, APPARENTLY FILLING A GAP BETWEEN AVAILABLE DELIVERIES FROM THE CURRENT CANADIAN CROP AND THE NEXT CANADIAN HARVEST IN OCTOBER. THE CHINESE HAVE

TOLD THE CANADIANS THEY INTEND TO PURCHASE MORE WHEAT THIS YEAR AND WILL GIVE CANADA FIRST PREFERENCE. THERE ARE ALSO RUMORS OF POSSIBLE ADDITIONAL PRC AGRICULTURAL PURCHASES, INCLUDING TURKISH WHEAT, ARGENTINE CORN, AND VARIOUS US FARM PRODUCTS.

3. AU COIN AMENDMENT (LIMITED OFFICIAL USE)

THE SUBCOMMITTEE ON INTERNATIONAL TRADE (NEAL SUBCOMMITTEE) OF THE HOUSE BANKING COMMITTEE TODAY ADDED THE AU COIN AMENDMENT TO THE EXIM BANK RENEWAL BILL. THE AMENDMENT WILL COME UP BEFORE THE FULL COMMITTEE NEXT TUESDAY AT THE EARLIEST. GIVEN THE JACKSON-VANIK PROVISIONS OF THE TRADE ACT AND THE PRC'S PRESENT CREDIT POLICIES, THE AMENDMENT (WHICH WOULD PERMIT EXIM BANK FINANCING OF US-PRC TRADE) IS UNLIKELY TO HAVE ANY PRACTICAL EFFECT. THUS FAR, THE DEPARTMENT HAS REFUSED TO SUPPORT THE AMENDMENT, ALTHOUGH ACKNOWLEDGING THE "POSITIVE SPIRIT" IN WHICH IT WAS OFFERED. CHRISTOPHER

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Message Attributes

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